



COMMONWEALTH OF VIRGINIA

Department of the Treasury

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February 19, 2008

MEMORANDUM

TO: Local Issuer's Bond Counsel Distribution List

FROM: Richard A. Davis
Public Finance Manager

SUBJECT: Virginia Public School Authority ("VPSA") School Financing Bonds
(1997 Resolution) Series 2008 A

Attached herewith are copies of preliminary debt service schedules for localities for which you have been appointed bond counsel. Estimated debt service schedules are also being e-mailed to localities who filed applications to participate in the financing. The draft of the Bond Sale Agreement (the "BSA") can be found on the Department of Treasury website on the Internet at the address listed below. The BSA and Appendix D thereto are to be filed with VPSA at the address indicated in the BSA no later than **April 1, 2008. Please utilize an overnight delivery service to ensure timely arrival. The closing date will be on or about May 15, 2008.**

The electronic information package, including all form documents, is available at the Department of Treasury home page on the Internet at:

http://www.trs.virginia.gov/Debt/vpsa_bondsaleagmt.asp

VPSA structures its financings with a goal of purchasing each locality's local school bonds for a price substantially equal to the amount of proceeds the locality has requested. This method of structuring is intended to ensure that the purchase price VPSA pays will finance projects adequately and, at the same time, accommodate the range of possible loan maturities and amortization schedules within the participant pool. As in prior transactions, actual market conditions will be evaluated in the pricing and sizing of the transaction and VPSA expects to resize, to the extent permitted, the par amount of local school bonds on the VPSA sale date. For example, if a locality's requested loan maturity and amortization schedule results in a local school bond that is valued at a price of par plus a premium, VPSA intends to reduce the par amount of such bond to the extent required to provide proceeds approximately equal to, but not less than, the amount of proceeds requested. Conversely, if a locality's requested loan maturity and amortization schedule results in a bond that is valued at a price of par less a discount, VPSA is willing, at your request, to increase the par amount of such by the amount required

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to generate the proceeds requested. To do so the locality must authorize additional bonds in excess (up to 5%) of the amount of proceeds requested.

In general, VPSA expects to downsize the par amount of bonds with relatively more rapid amortization schedules (shorter maturities, level principal) and to upsize the par amount of bonds with relatively slower amortization schedules (deferred principal, longer maturities, level debt service). **Because VPSA cannot predict the coupon structure of the winning bid, VPSA is requesting that each locality authorize a “not to exceed” or “up to” principal amount of bonds that is sufficiently in excess of the amount of proceeds requested. If a locality’s bond structure results in a discount purchase price and additional bonds have not been authorized in excess by the locality’s bond resolution Proceeds Requested, the resulting purchase price paid will reflect the discount and result in a purchase price less than the Proceeds Requested.**

The Bond Sale Agreement and resolution anticipate this sizing approach. First, in the header section on the first page of the Bond Sale Agreement, there are two line entries for dollar amounts. The Maximum Authorized Par Amount should equal the Proceeds Requested plus up to a 5% cushion. VPSA and its financial advisor will be pleased to assist you in quantifying an appropriate cushion. Second, the Bond Sale Agreement and bond resolution do not include a purchase price parameter as a percentage of par. Rather, the purchase price is to be “substantially equal” to the Proceeds Requested except in the cases where issuing at the maximum authorized amount would not be sufficient to generate the requested proceeds. In instances where a discount would be paid, bracketed language is included in the bond resolution for a minimum purchase price parameter as a percentage of proceeds requested; if such a figure is required the locality and its bond counsel should consult with VPSA and its financial advisor in developing the parameter. An acknowledgment relating to the possibility of receiving a discount is included in the Bond Sale Agreement. Third, the resolution includes certain recitals, (there are similar acknowledgments in the Bond Sale Agreement) which explain sizing adjustments and VPSA’s objective to pay a purchase price that reflects the market value for the local school bonds.

The Local Issuer transcript delivery requirement has been modified in the Bond Sale Agreement. Counsel for Local Issuers will now be required to send one original transcript to Sidley Austin LLP.

In addition, the form of the Local School Bond has been changed. If a payment is due on a day which is not a business day, payment will be due on the business day next succeeding such business day.

Please ensure that the minutes for any resolution/ordinance taken by your school board and board of supervisors/council list, by name, each board/council member voting, and the member’s vote (or abstention). The Virginia Supreme Court in Town of Madison v. Ford held that the minutes of the town council’s meeting stating that all members were present and that the motion to adopt ordinance carried unanimously, were **insufficient** to comply with Article VII, Section 7 of the

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Virginia Constitution. That provision states, "On final vote on any ordinance or resolution, the name of each member voting and how he voted shall be recorded." The forthcoming Bond Sale Agreement resolution forms will accommodate this requirement.

Please note when accessing the electronic information on the website that there are *three* versions of Appendix C (Use of Proceeds Certificate). Please complete the applicable version (New Money, Current Refunding or New Money and Current Refunding) as it applies to your client's situation.

Please be prepared to participate in a conference call with VPSA staff, financial advisor and bond counsel to discuss any outstanding interim financing to be refunded with proceeds from the Series 2008 A bonds. Such conference calls will be scheduled as needed.

At the VPSA Board meeting on March 27, 2008, the Board will consider approval of the applications received from localities interested in participating in the financing. Applications are being reviewed and approval of funding amounts is expected on that date. If approved, localities and their counsel will be notified of their anticipated funding amount. If not approved, you will be notified as soon as possible following the Board meeting. If you have any questions about the BSA, or need assistance, please call me at (804) 225-4928, Connie Vaughan at (804) 225-2268 or Melissa Palmer at (804) 225-4926.

RAD:mwp
Attachments

c: Stephanie L. Hamlett, Esq.
Office of the Attorney General
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